

Message Text

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PAGE 01 DACCA 01242 210928 Z

14

ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-02 PA-03 PRS-01 USIA-12 INRE-00

RSR-01 /165 W

----- 108651

P R 210824 Z MAR 73 ZFF-4

FM AMEMBASSY DACCA

TO SECSTATE WASHDC PRIORITY 9154

INFO AMEMBASSY ISLAMABAD

AMEMBASSY PARIS PRIORITY

AMEMBASSY PRAGUE

C O N F I D E N T I A L DACCA 1242

E. O. 11652: GDS

TAGS: EAID, EFIN, PK, BG, CZ

SUBJECT: BANGLADESH/ PAKISTAN DIVISION OF DEBT - CZECH POSITION

REF: (A) STATE 47677; (B) PRAGUE 545; (C) DACCA A-57, 12/19/72

SUMMARY: DEBTS TO CZECH GOVT FROM OLD AID TO EAST PAKISTAN

REPORTEDLY ALL ABSORBED IN NEW ASSISTANCE AGREEMENTS WITH
BANGLADESH, NO DEBT DIVISION PROBLEM SEEMS TO EXSIT.

1. AS REPORTED REF C, ENCLOSURE 4 B, CZECH AID AGREEMENT SIGNED
OCTOBER 1972 PROVIDED CREDIT 10 MILLION POUNDS STERLING FOR
INDUSTRIAL PLANTS AND EQUIPMENT - AT 2 1/2 PERCENT INTEREST, FOR
12 YEARS INCLUDING 2 GRACE FOR COMPLETE PLANTS AND 10 YEARS
INCLUDING ONE GRACE FOR EQUIPMENT NOT TIED TO SPECIFIC PROJECT.
LOAN WAS TO COVER, INTER ALIA, COMPLETION TWO 60 MW ELECTRIC POWER
PLANTS, AT KHULNA AND CHITTAGONG, TARTED UNDER 1964 LOAN
AGREEMENT WITH PAKISTAN.

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PAGE 02 DACCA 01242 210928 Z

2. CZECH COMMERCIAL COUNSELOR MICHAL SOROKAC TOLD EMBOFFS MARCH
20

THAT OCTOBER AGREEMENT RAISED 5 MILLION POUNDS IN DECEMBER.
COST POWER PLANTS, ORIGINALLY PUT AT 2.5 MILLION POUNDS EACH, HAS
SINCE INCREASED. 70 PERCENT OF EQUIPMENT FOR KHULNA DELIVERED
BEFORE SPLIT- UP ERSTWHILE PAKISTAN . CHITTAGONG PLANT BARELY
STARTED.

3. SOROKAC SAID BDG RESISTED ASSUMPTION LIABILITY FOR PAST EXPENDI-
TURE ON PLANTS BUT ULTIMATELY AGREED ACCEPT. PRESUMABLY PAST LIABIL-
ITIES RE PLANTS CAN BE DISCARDED AS WELL AS NEW UNDER TERMS NEW
AGREEMENT. CZECHOSLOVAKIA REDUCED INTEREST PAYMENT FOR GRACE
PERIOD FROM 2 1/2 PERCENT TO A SYMBOLIC 1/2 PERCENT AS SPECIAL
CONSIDERATION FOR BD.

4. ACCORDING SOROKAC, ONLY OTHER CZECH CREDIT FOR EAST PAKISTAN
DURING PAKISTAN PERIOD WAS ONE OF UNDER ONE MILLION POUNDS- NON-
GOVERNMENTAL, FROM A STATE CORPORATION TO LOCAL DACCA FIRM CALLED
PRAGA- INVEST TO MAUFACTURE SMALL DIESEL ENGINES . TERMS HARDER
THAN GOVERNMENTAL AID - UP TO ONLY 5/6 YEARS, AT 3 1/2 TO 4
PERCENT INEREST. LIABILITY FOR PAST DEBT ASSUMED HERE AS WELL.

5. THEREFORE, AS RE USSR DEBT, CZECHOSLOVAKIA HAS APPARENTLY
RESOLVED QUESTION OF OUTSTANDING LIABILITY ARISING FROM OLD AID
TO EAST PAKISTAN IN CONCLUDING NEW ASSISTANCE PROGRAM WITH BDG.
AGREEMENT BY CZECHOSLOVAKIA GOVERNMENT TO RELIEVE GOP OF
RESPONSIBILITY FOR THESE CREDITS THUS APPEARS SOMETHING OF A
THROWAWAY.
NEWBERRY

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